



FIRST THINGS FIRST

The right system for bright futures

Financial Report Through March, 2010

Revenue

Tobacco revenues were just over \$10.6 million for the month of March 2010. This figure is \$680 thousand higher than last month, February 2010. The modest growth over last month is likely due to three additional business days in the month of March.

Despite the stability within the current year, March 2010's tobacco revenue is \$2.5 million lower than this same month last year, March 2009. And year-to-date tobacco revenues are 15.13% under this same period last year.

As part of the 2010 FTF budget, tobacco tax revenue was projected at \$131 million. Through the month of March total collections are at \$97.6 million, or 75% of the total annual projection. A review of trends in previous years reveals roughly 76% of actual collections were on deposit in FY09 at this same point in time, and the figure was 74% in FY08. It is also interesting to note that March is 75% through the fiscal year. As such, collections look to be trending towards the projected revenue estimates for FY10.

Interest earnings from investments continue to be very modest with \$234 thousand received during March.

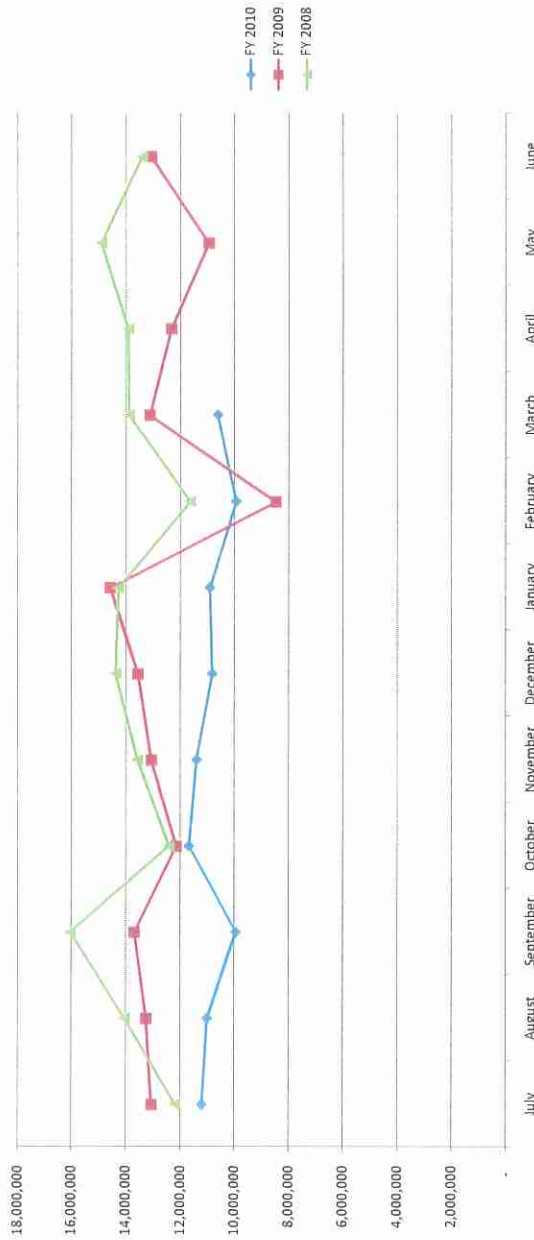
Total operating receipts were \$10.85 million for March 2010, compared to \$13.68 million a year ago. These revenues continue to stabilize within the FY10, as shown in the following charts. Other revenues FTF has received in FY10 include Grants and Contract and Private Gifts (both restricted use funds). In the current fiscal year FTF has received just over \$2,000 in Private Gifts and is expecting about \$50,000 in reimbursements for a federal grant that started in FY09 (expending \$155k) and has carried into the current fiscal year.

Operation Expenditures

Operating expenses within the month of March 2010 were \$1.15 million. Year-to-date there is an estimated current ending balance of \$1.6 million (although it is anticipated this figure will come down as additional "operational" expenditures are encumbered and paid over the remaining three months of the fiscal year). As detailed in the attached budget table, the significant areas of projected ending balance (80%) are found in the budgeted line items of In-State Travel and Other Operating.

FTF continues to operate well within the FY10 Operations Budget, and expects to end the year again in a positive cash position providing both the board and the director flexibility in being able to address future priorities.

Monthly Tobacco Tax Revenue

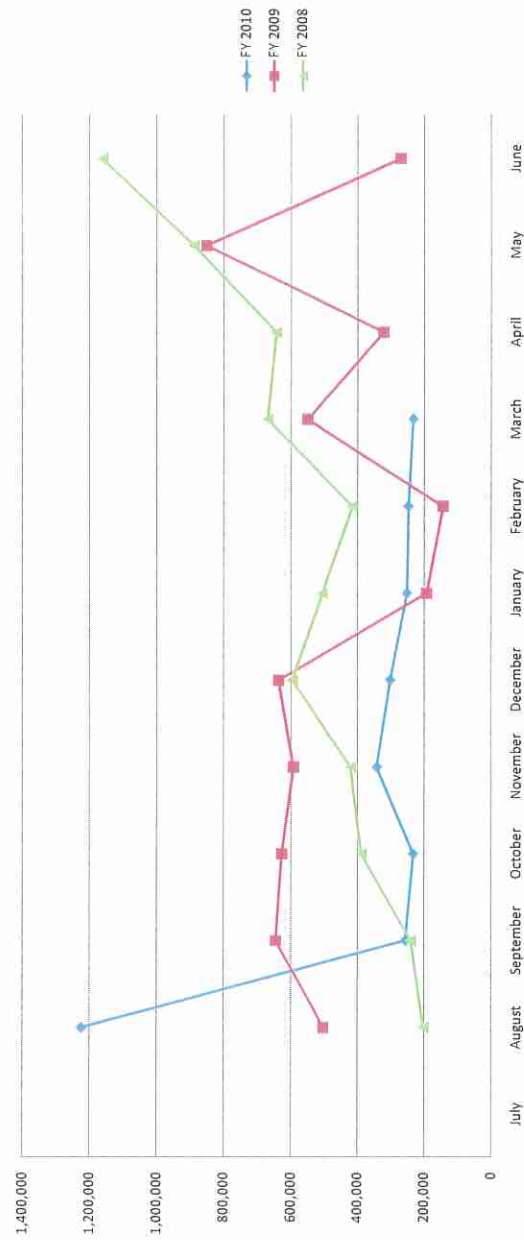


Tobacco Tax Revenue

Current Budget = \$130,973,500

	FY 2010	FY 2009	FY 2008
July	11,211,514	13,072,609	12,193,815
August	11,013,597	13,259,701	14,051,158
September	9,948,588	13,692,552	16,055,097
October	11,688,368	12,153,319	12,429,446
November	11,413,943	13,071,452	13,590,137
December	10,837,151	13,559,444	14,398,196
January	10,919,518	14,579,373	14,398,196
February	9,940,779	8,474,104	11,643,437
March	10,620,639	13,132,772	13,900,273
April	12,334,970	10,951,777	13,923,595
May	13,081,742	13,427,181	14,917,645
June	97,594,098	151,363,814	164,805,113

Monthly Interest Income Revenue



Interest Income Revenue

Current Budget = \$3,489,000

	FY 2010	FY 2009	FY 2008
July	1,223,591	502,912	202,360
August	257,294	644,892	240,268
September	234,062	626,736	389,377
October	343,513	592,399	421,934
November	302,624	636,611	598,144
December	252,949	193,422	506,930
January	248,407	144,280	416,711
February	233,651	550,854	670,193
March		321,359	644,756
April		851,027	889,538
May		270,413	1,162,859
June		5,334,904	6,143,070

Note: Aug 2010 Interest Income spike is related to an accounting adjustment associated with FY09 and made by the Treasurers office.

AZ Early Childhood Development and Health Board

Fund 2543 FY10 Operations Expenditures

Agency-Wide Admin.

For the Eight Months Ending March 31, 2010

(\$1,000's of dollars)

Expenditures	Original Budget	Budget Adjustment	Adjusted Budget	March Expenditures	YTD Expenditures	Encumbered Balances	YTD Expenditures + Encumbered Total	Current Balance	% YTD Exp. + Enc. to Budget
Personal Services (6000)	\$7,966.92		\$7,966.92	\$592.62	\$5,837.47	\$1,967.43	\$7,804.90	\$162.01	98%
Employee Related Expenditures (6100)	\$2,701.42		\$2,701.42	\$208.32	\$2,049.06	\$652.36	\$2,701.42	\$0.00	100%
Professional & Outside Services (6200)	\$2,000.74		\$2,000.74	\$174.34	\$1,518.29	\$506.51	\$2,024.79	\$(24.05)	101%
Travel In-State (6500)	\$706.31		\$706.31	\$20.46	\$168.75	\$0.00	\$168.75	\$537.56	24%
Travel Out-of-State (6600)	\$63.90		\$63.90	\$1.16	\$11.27	\$0.00	\$11.27	\$52.62	18%
Food (6700)	\$0.00		\$0.00	\$0.00	\$0.43	\$0.00	\$0.43	\$(0.43)	0%
Aid to Other Organizations (Pass Thru) (6800)	\$0.00		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	0%
Other Operating Expenditures (7000)	\$2,084.97		\$2,084.97	\$123.12	\$1,065.49	\$253.49	\$1,318.98	\$765.99	63%
Capital Equipment (8400)	\$47.29		\$47.29	\$0.00	\$0.00	\$0.01	\$0.01	\$47.27	0%
Non-Capital Equipment (8500)	\$211.74		\$211.74	\$25.11	\$121.39	\$18.70	\$140.08	\$71.65	66%
Total	\$15,783.28	\$0.00	\$15,783.28	\$1,145.13	\$10,772.15	\$3,398.50	\$14,170.65	\$1,612.63	90%

ERE to Personal Services

34%

35%

33%

35%

Head Count (Budgeted Positions)

143.75

Head Count (Filled Positions)

120.75

% of Fiscal Year completed

75%



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Fiscal Impact of Proposed \$300 Million Loan to State General Fund

First Things First leadership and staff has been working since early 2009 to secure a mechanism by which the organization would be able to provide a loan of its current available fund balance and support the state in its efforts to balance the general fund budget. The current proposal would provide for a transfer of \$300 million interest free. If adopted the transfer would be made in Jan 2011 (FY11), and repayment would not begin until part way through FY13. Additionally, the overall repayment structure is weighted in such a way as to recognize the state's need and desire to allow for as much time as possible before repayment to FTF. In addition, repayment of the funds to FTF has been structured such that most of the repayment occurs in 2015 and after.

In reviewing this proposal it should be noted that FTF, by providing an interest free option, will be saving the state about \$13.2 million for every 1% they would have been charged by a private lender over the term of this agreement. In addition, it is estimated that FTF will not generate \$13.9 million in interest income as a result of transferring \$300 million of its fund balance to the state and thus reducing its investments with the State Treasurer.

Below is a table showing the proposed \$300 million FTF loan and repayment schedule in the context of currently projected revenues, expenses, and fiscal year ending balance. As clearly demonstrated in the table below, if current revenue projections hold and future spending rates continue based on a 1% inflation rate, FTF will be in the red before fiscal year end 2018 even with the use of the current \$300 million fund balance.

State Loan Balance and Repayment Projections (Millions of Dollars)

Fiscal Year	Initial Balance	Revenue	Expenses	Loan / Repayment	Fiscal Year Ending Balance
2011	\$380.10	\$127.62	\$136.52	\$(300.00)	\$71.20
2012	\$71.20	\$120.86	\$162.44		\$29.62
2013	\$29.62	\$115.77	\$159.42	\$30.00	\$15.96
2014	\$15.96	\$111.09	\$168.14	\$60.00	\$18.91
2015	\$18.91	\$106.68	\$164.60	\$60.00	\$21.00
2016	\$21.00	\$102.41	\$167.68	\$60.00	\$15.72
2017	\$15.72	\$98.29	\$167.79	\$70.00	\$16.23
2018	\$16.23	\$94.21	\$170.90	\$20.00	\$(40.47)

As noted in the above table, FTF's current fund balance is in fact more than \$300 million. However, the proposed loan amount, along with the repayment schedule, was calculated based on an analysis of the organization's cash flow requirements. This review clearly indicated that prudent management requires FTF to have available about \$20 million (and no less than \$15mill) at any one time to ensure its monthly obligations can be met. Specifically, this targeted available cash level is driven by the fact there is an irregular timing/flow around grant reimbursement requests. When this is combined with general operating expenditure trends, FTF requires at least a \$15 million fund balance each month to avoid the risk of over expending its balance.